

BUSINESS INTELLIGENCE

A L C O H O L : B E E R + S P I R I T S




Zenith
The ROI agency

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Introduction

Welcome to Business Intelligence – *Alcohol: Beer + Spirits*, the sixth of Zenith's *Business Intelligence* reports, which analyse the advertising, business and consumer behaviour trends shaping different categories.

Alcohol is a difficult category to generalise about: traditions and expectations about drinking alcohol vary widely from country to country, as does the role it plays in socialising and family life. In all markets, though, the alcohol category has suffered from huge disruption from the coronavirus pandemic, much more than the average category. Governments identified venues of public drinking – bars, restaurants, nightclubs and so on – as particularly likely to help spread the virus, and many subjected them to special measures to close them down or limit their operations.

The end of public drinking meant that drinks companies suddenly had to find a new route to market, supplementing retail sales with new direct-to-consumer and e-commerce operations. It also meant they had to rebuild their brand experience, centred on nights in rather than nights out. Brand experience has been the key to sales growth in the past, by encouraging consumers to trade up to higher-quality drinks instead of drinking more. It will be again as the industry starts to recover in 2021.

Consumers have new expectations, and alcohol brands will have to adapt to increased demand for convenient, ready-prepared drinks; frictionless online delivery; a focus on health and responsible drinking; and more environmentally healthy production and distribution processes. The drinks industry of 2023 will look very different to the industry of 2019.

Scope of report

This report covers two types of alcoholic drink: beer [a drink brewed from cereal grains, fermented by yeast and flavoured with hops] and spirits [strong drinks prepared by distillation]. The 12 markets it includes are Australia, Canada, China, France, Germany, India, Italy, Russia, Spain, Switzerland, the UK and the US, which between them account for 73% of total global adspend.

ALCOHOL: BEER + SPIRITS ADVERTISING FORECASTS

US\$7.7bn
IN 2023

Alcohol adspend to rise
from US\$6.7bn in 2020 to
US\$7.7bn in 2023

x2 **x4**
TV OOH

Alcohol brands spend
twice as much on television
as the average brand and
nearly four times as much
on out-of-home



30%

2.4%↓
A YEAR

Digital advertising to account for 30% of alcohol adspend in 2023, up from 21% in 2019

But alcohol brands will reduce their television spending by 2.4% a year as audiences continue to shrink



ALCOHOL ADSPEND TO BEAT MARKET WITH 5.3% GROWTH IN 2021 AS HOSPITALITY OPENS UP

Zenith predicts that alcohol adspend will grow by 5.3% in 2021, ahead of the 4.9% growth of the ad market as a whole, as brands recover from the steep 11.6% drop in advertising in 2020. Alcohol advertising will then grow roughly in line with the market, with 4%-5% annual growth in 2021 and 2022 as alcohol consumption returns towards pre-pandemic levels.

Alcohol advertising shrank nearly twice as fast as the overall ad market in 2020 because brand finances were squeezed by a decrease in consumption volume, a drop in the average price per drink, and lower profit margins. With bars, pubs and restaurants closed, consumers drank less alcohol, and bought the drinks they did consume from shops where they cost less, with a much lower mark-up. Brands cut back their marketing sharply to protect their bottom lines, and their combined adspend fell from US\$7.6bn in 2019 to US\$6.7bn in 2020.

Brands are bringing money back into the market in 2021 as vaccine programmes have allowed consumers to look forward

“Brands are bringing money back into the market in 2021 as vaccine programmes have allowed consumers to look forward to socialising in person again, and the hospitality industry has begun to reopen.”

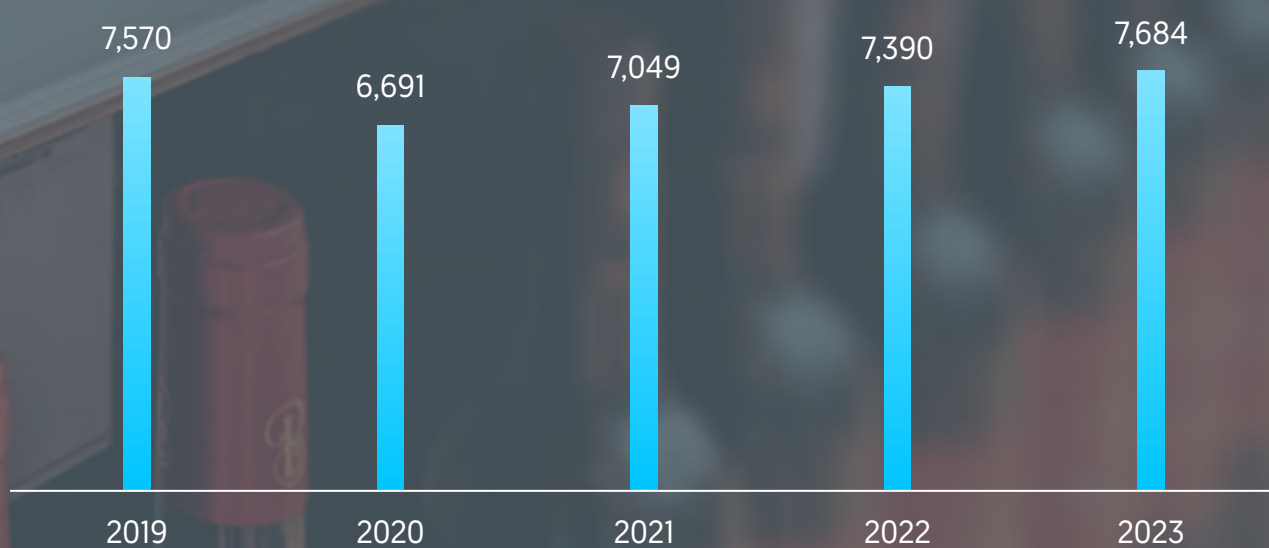
to socialising in person again, and the hospitality industry has begun to reopen. But the return to normality will be a slow process, and alcohol adspend will still be 8% below the 2019 level by the end of 2021, at US\$7.0bn. Zenith does not expect alcohol advertising to exceed the pre-pandemic peak until 2023, when it will reach US\$7.7bn.

Year-on-year growth in adspend (%) – 12 key markets



Source: Zenith

Total alcohol adspend (US\$ million) – 12 key markets



Source: Zenith

THE PANDEMIC HAS FORCED ALCOHOL BRANDS TO RAMP UP DIGITAL OPERATIONS

Share of adspend by medium, 2020 (%) – 12 key markets



Source: Zenith

Alcohol brands are often not permitted or expected to directly encourage extra consumption, and instead focus on building brand image and experience through mass-reach communication. They therefore rely heavily on television and out-of-home advertising, spending twice as much on television as the average brand and nearly four times as much on out-of-home.

This tactic has become less effective as audiences have shifted more to digital media, particularly the young audiences most likely to visit a new bar and try out a new drink. Brands have mitigated this to an extent by concentrating their spending around sporting events that attract young and well-off audiences, but here too viewing is shifting online.

Zenith predicts alcohol brands will reduce their expenditure on television by 2.4% a year to 2023, compared to the 2019 baseline, as audiences continue to shrink. Out-of-home advertising, by contrast, will grow by 1.1% a year,

even taking into account the pandemic-induced reduction in foot and road traffic. Television's declining reach makes out-of-home's ubiquity even more valuable.

Alcohol brands have historically been slow to commit to digital advertising, devoting less than half as much of their budgets to it than the average brand in 2020. That's changing rapidly, though, partly because of the underlying shift in media consumption to digital channels, but mostly because of the sudden shifts in alcohol consumption caused by the pandemic, which won't go away once it's over.

The closure of hospitality venues in 2020 meant that brands needed a new route to market. Breweries, distilleries, bars, and restaurants diversified into direct-to-consumer shipping and takeaway drinks, facilitated by ecommerce and advertised heavily on digital media, particularly social media. In some markets, notably in several US states, governments had to lift restrictions on alcohol delivery to allow these services to operate.



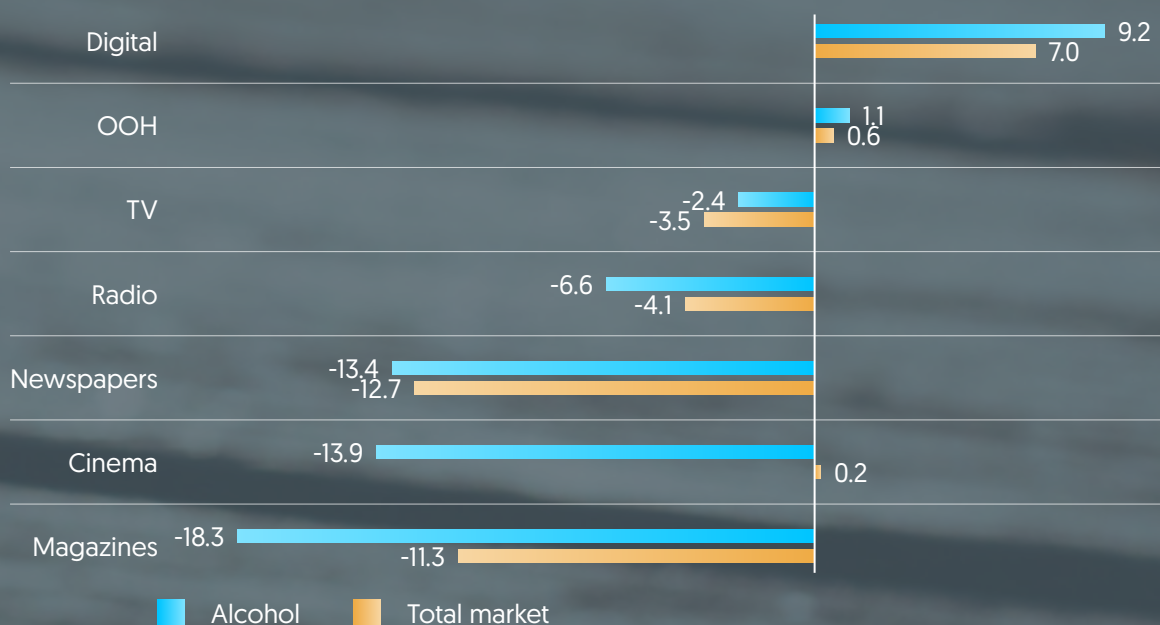
The need to drive awareness and traffic to ecommerce channels meant brands had to expand their online presence rapidly in 2020. This meant spending more on digital advertising, which rose from 21% of alcohol budgets in 2019 to 24% in 2020, but also developing owned assets such as brand websites and educational content – videos teaching consumer to mix their own cocktails at home, for example.

Consumers are now much more aware of the available options for buying alcohol online, and alcohol brands now have distribution networks in place to supply them. Zenith expects brands to expand their digital advertising to support

“The need to drive awareness and traffic to ecommerce channels meant brands had to expand their online presence rapidly in 2020.”

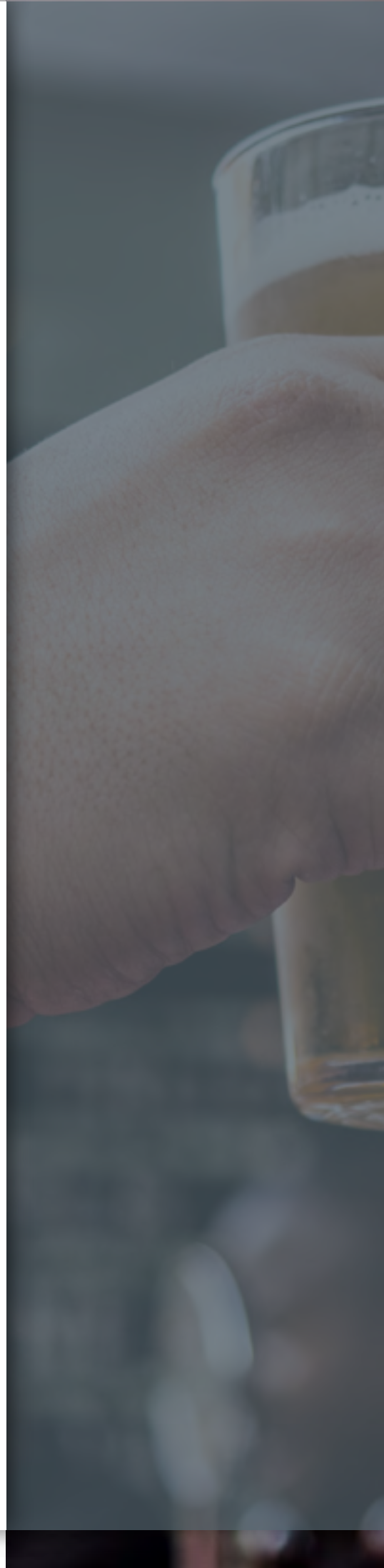
alcohol ecommerce even after pubs and restaurants are fully open, fuelling 9.2% annual growth in digital adspend between 2019 and 2023, when digital advertising will account for 30% of alcohol advertising budgets.

Average annual growth in adspend by medium 2019-2023 (%) – 12 key markets

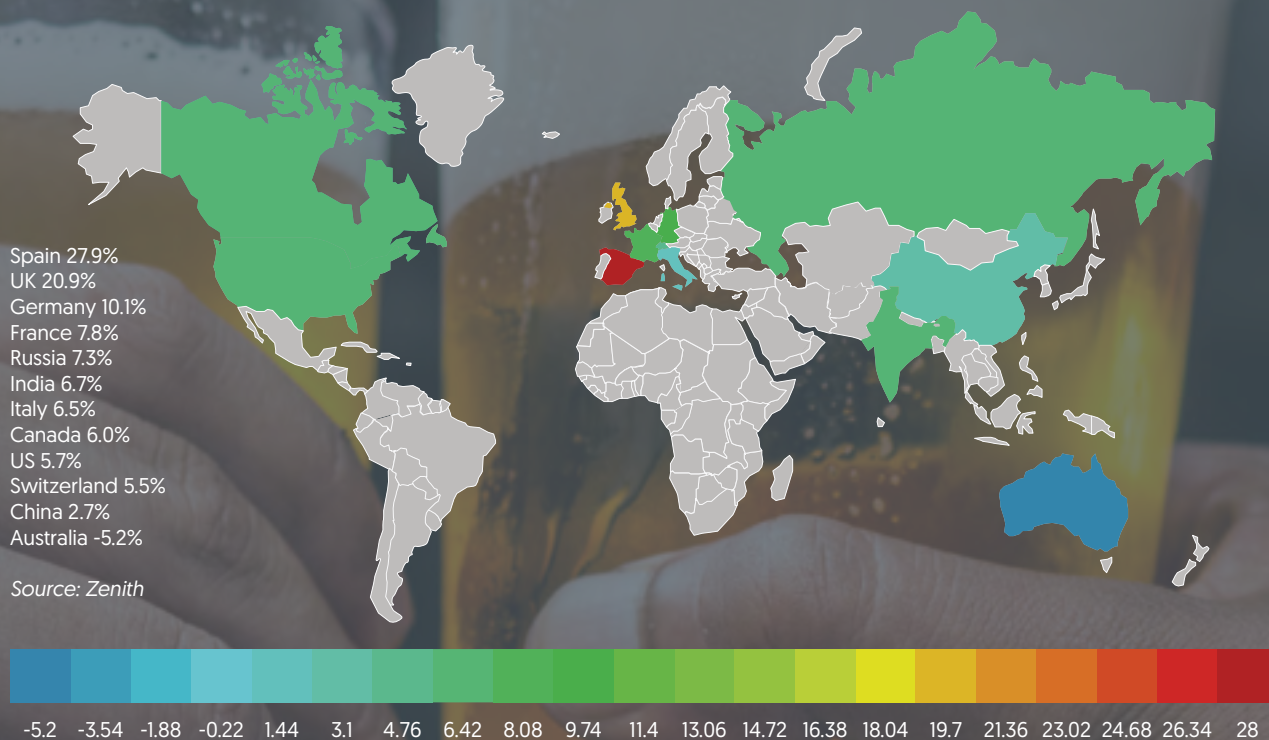


Source: Zenith

**WESTERN EUROPE
TO ENJOY FASTEST
RECOVERY AFTER
SUFFERING STEEPEST
DOWNTURN**



Average annual growth in alcohol adspend by key market 2020-2023 (%)



Patterns of spending by alcohol brands vary considerably from market to market, according to law and consumer behaviour. In France, alcohol advertising is banned on television and cinema, so brands concentrate even more on out-of-home advertising, which accounted for half of all pre-COVID alcohol adspend. Alcohol advertising is almost, but not quite, entirely banned in Russia. It's included here for comparison purposes, but its scale is tiny: just US\$0.2 million in 2020.

Zenith forecasts Spain, the UK, Germany and France to be the stand-out growth markets, with annual growth rates between 2020 and 2023 of 28%, 21%, 10% and 8% respectively. That's because these markets, where drinking in bars, pubs or restaurants is an engrained aspect of normal social life, suffered the steepest drops in spending when lockdowns were imposed. During 2020, alcohol advertising fell by 52% in Spain, 48% in the UK, 22% in Germany and 23% in France. Their rapid recovery will return them in 2023 to roughly where they were in 2019.

Australia is forecast to shrink 5% a year between 2020 and 2023, but this is in reaction to a one-off surge in social media spending in 2020. Zenith expects spending in Australia will be 16% higher in 2023 than it was in 2019.

ALCOHOL: BEER + SPIRITS CATEGORY GROWTH

13.5%

SALES GROWTH IN 2021



Alcohol sales to
grow 13.5% in 2021

Spirits sales to exceed beer
sales by 23% in 2023,
up from 4% in 2017



The average consumer drinks 29 litres of beer and 3.7 litres of spirits per year

ABInBev

12% TO 15%

Market-leader Anheuser-Busch InBev's acquisition of SABMiller lifted its share of global alcohol sales from 12% to 15%

A close-up photograph of a person's hand pouring a reddish-brown liquid from a bottle. The person is wearing a denim jacket over a white t-shirt. The background is blurred.

ALCOHOL SALES WILL BOUNCE BACK TO EXCEED PRE-PANDEMIC LEVELS BY 2022

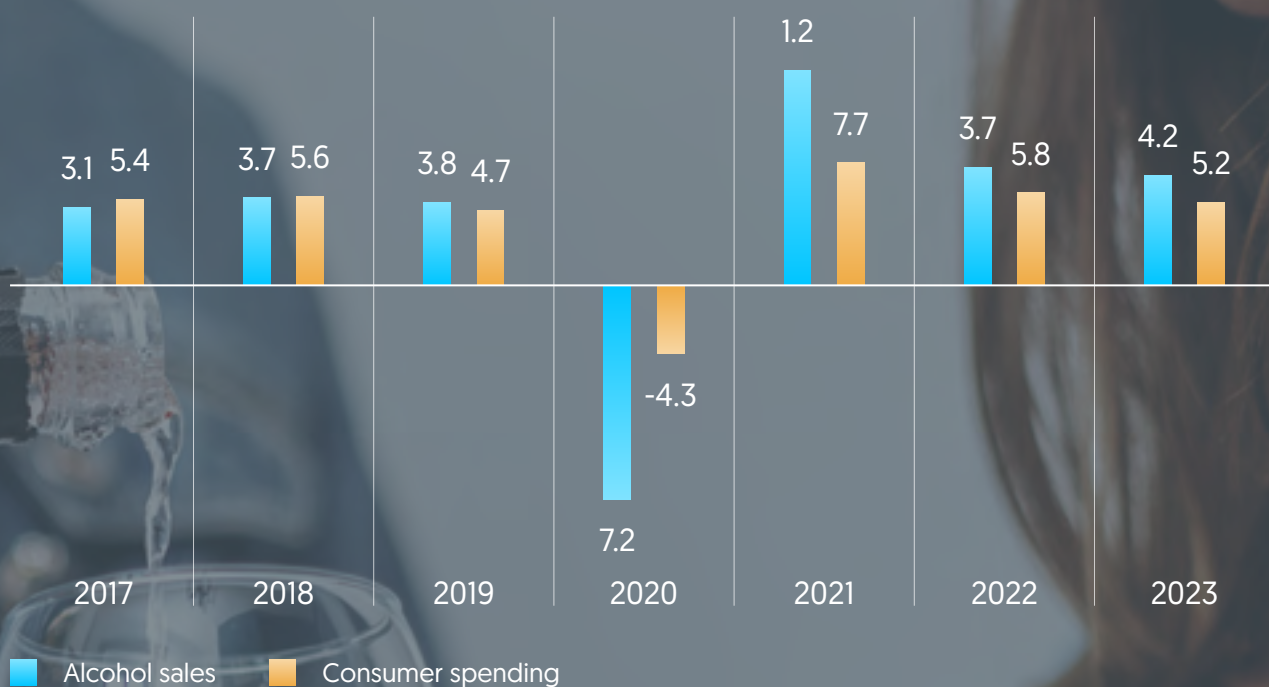
Alcohol sales collapsed from US\$761bn in 2019 to US\$659bn in 2020, falling by 13.4%, or three times faster than the drop in overall consumer spending. The volume of beer and spirits consumed shrank as consumers stopped socialising in person, and prices fell as purchases shifted from on-trade [bars, restaurants and so] to off-trade [supermarkets and drinks retailers], where margins are much lower. This shift was part voluntary, and part imposed by governments that saw public drinking as a vector for coronavirus transmission, and hospitality venues were locked down.

Sales are expected to bounce back in 2021 with 13.5% year-on-year growth, nearly double the growth in consumer spending. As more people receive their COVID-19 vaccinations and lockdown

“Alcohol sales in 2021 are forecast at US\$748bn, 1.7% below the level they reached in 2019.”

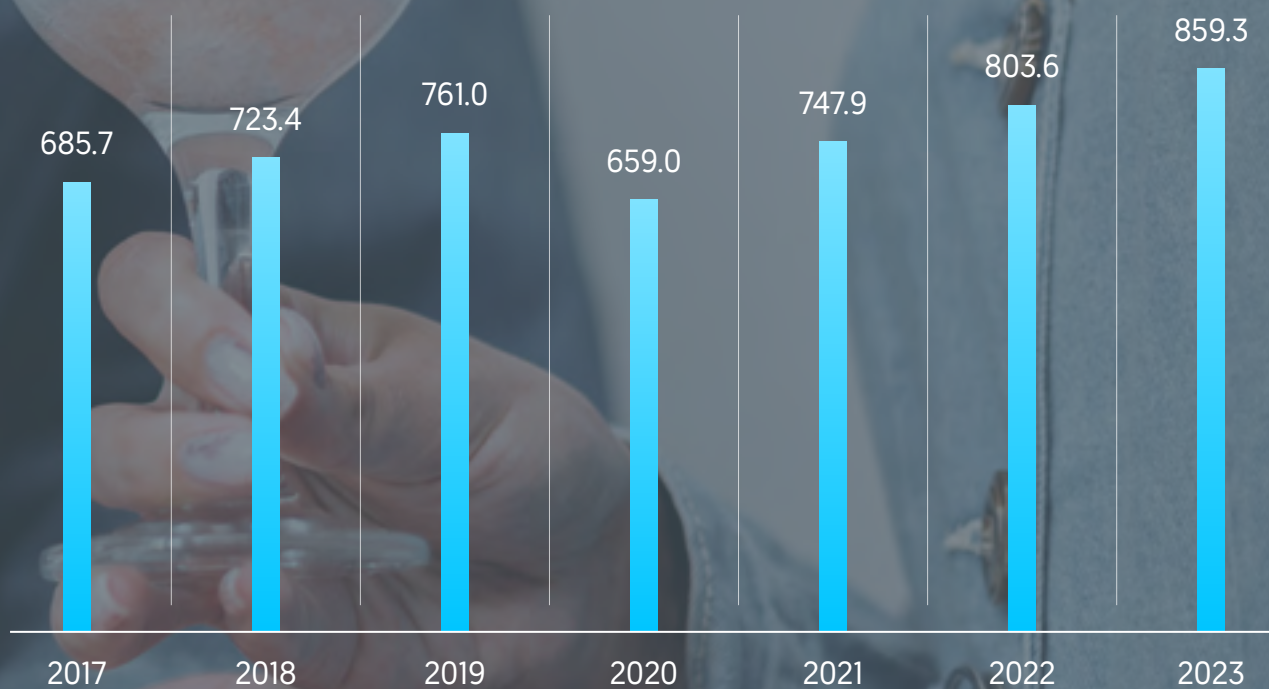
restrictions are progressively eased, socialising will resume and consumption will shift back to the higher-value on-trade. This will be an extended process, which will not be completed by the end of the year: alcohol sales in 2021 are forecast at US\$748bn, 1.7% below the level they reached in 2019. Alcohol sales are then expected to remain buoyant as consumers embrace their new-found freedom, with 7% annual growth in 2022 and 2023, comfortably exceeding pre-pandemic levels of spending in both years.

Year-on-year growth – 12 key markets (%)



Source: Euromonitor International

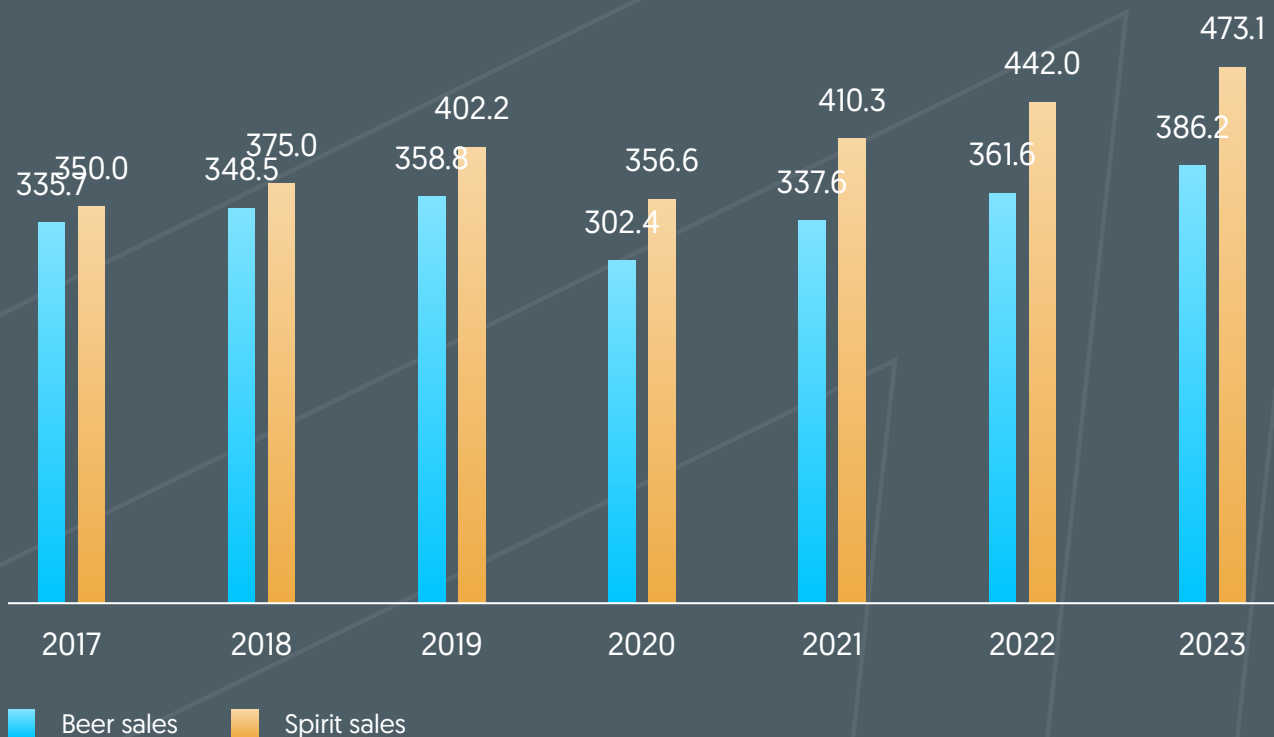
Alcohol sales (US\$ billion) – 12 key markets



Source: Euromonitor International

**SALES GROWTH
COMES FROM
SELLING BETTER
DRINKS, NOT MORE**

Beer and spirits sales (US\$ billions) – 12 key markets



Source: Euromonitor International

Overall sales of beer and spirits are similar in magnitude, though spirit sales have been pulling ahead quickly, and are expected to continue to do so. In 2017, spirit sales were 4% ahead of beer sales, and by 2019 their lead had trebled to 12%. Spirits sales are forecast to exceed beer sales by 23% in 2023. Spirits brands have not outperformed beer brands by selling any more product; instead, they have been more effective at persuading drinkers to trade up to higher-value products that provide better experiences.

“Spirits brands have not outperformed beer brands by selling any more product; instead, they have been more effective at persuading drinkers to trade up to higher-value products that provide better experiences.”

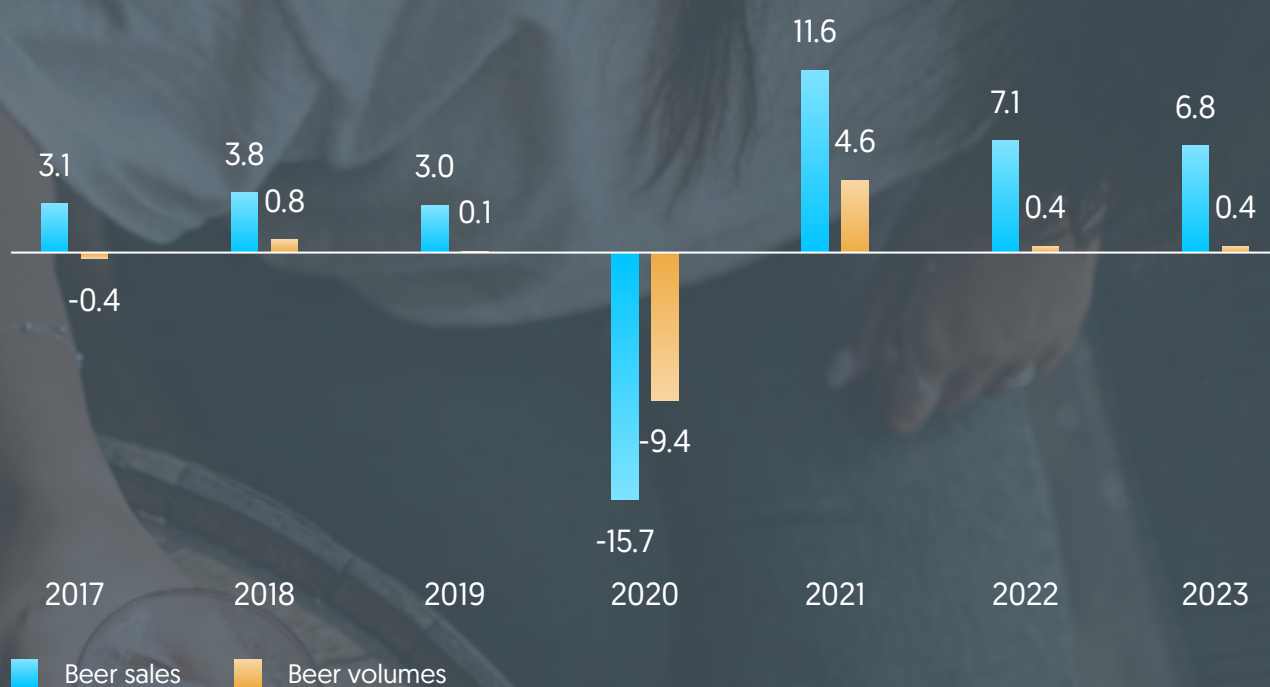
Before the pandemic, both beer and spirits brands drove sales growth through a process of premiumisation – shifting drinkers' consumption habits from lower-end to higher-end products and drinking better instead of drinking more. This process was responsible for essentially all of the growth in alcohol sales before the pandemic. Consumption volumes of both beer and spirits remained static, but the value of beer sales grew by 3% a year, while spirit sales grew by 7%.

Premiumisation went into reverse for beer in 2020 as volumes shrank 9% but sales value plunged 16% as drinkers took advantage of the off-trade discount. For spirits, though, it was simply suspended for the year, as volumes and sales both fell by 11%. Spirits brands were more effective at replacing the on-trade brand experience with an in-home one, investing more in digital advertising as well as online content such as recipes or cocktail-making tips.

Strengthening brand experiences at home as well as rebuilding them in bars will be key to brand growth over the next few years. Some recovery in alcohol consumption volume is forecast for the next few years as drinking habits return to pre-pandemic norms. But premiumisation will be responsible for most of the growth in sales value in 2021 and beyond, both for beer and spirits.

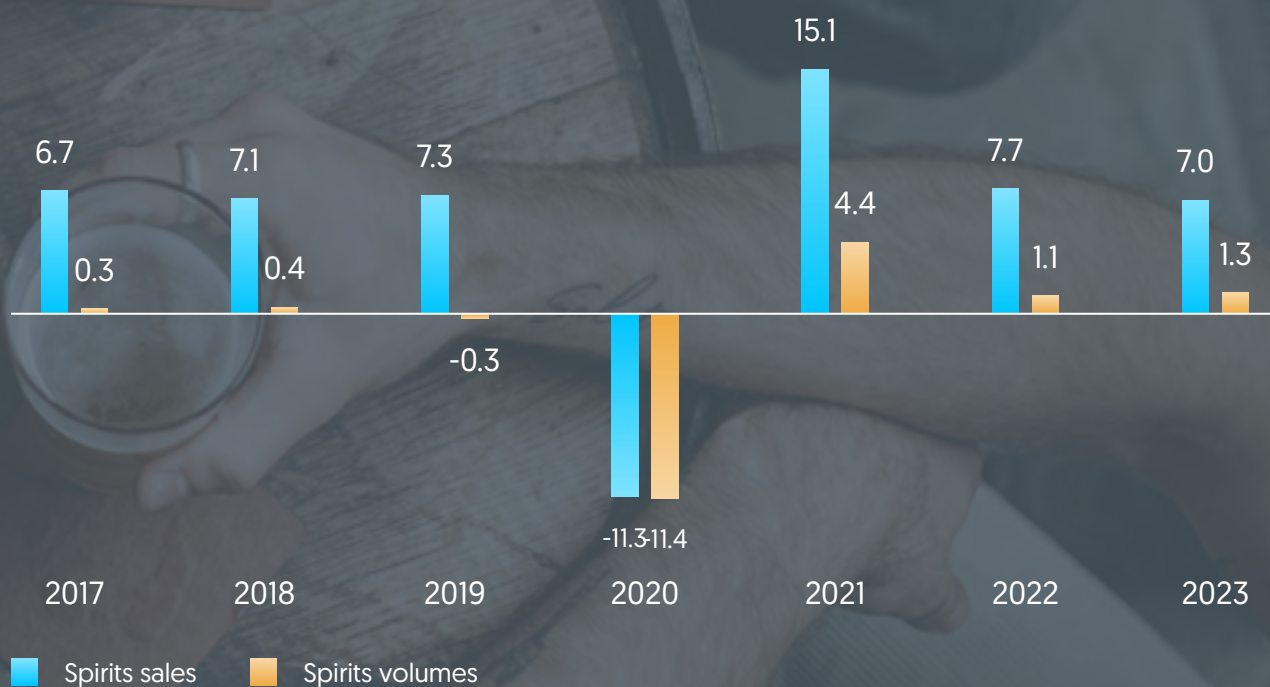


Year-on-year growth – 12 key markets (%)



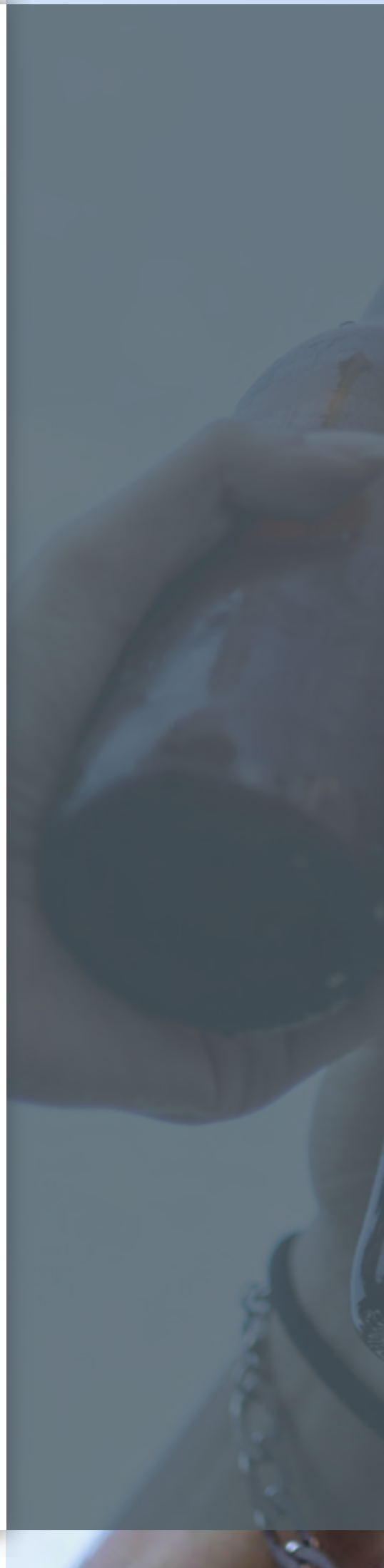
Source: Euromonitor International

Year-on-year growth – 12 key markets (%)

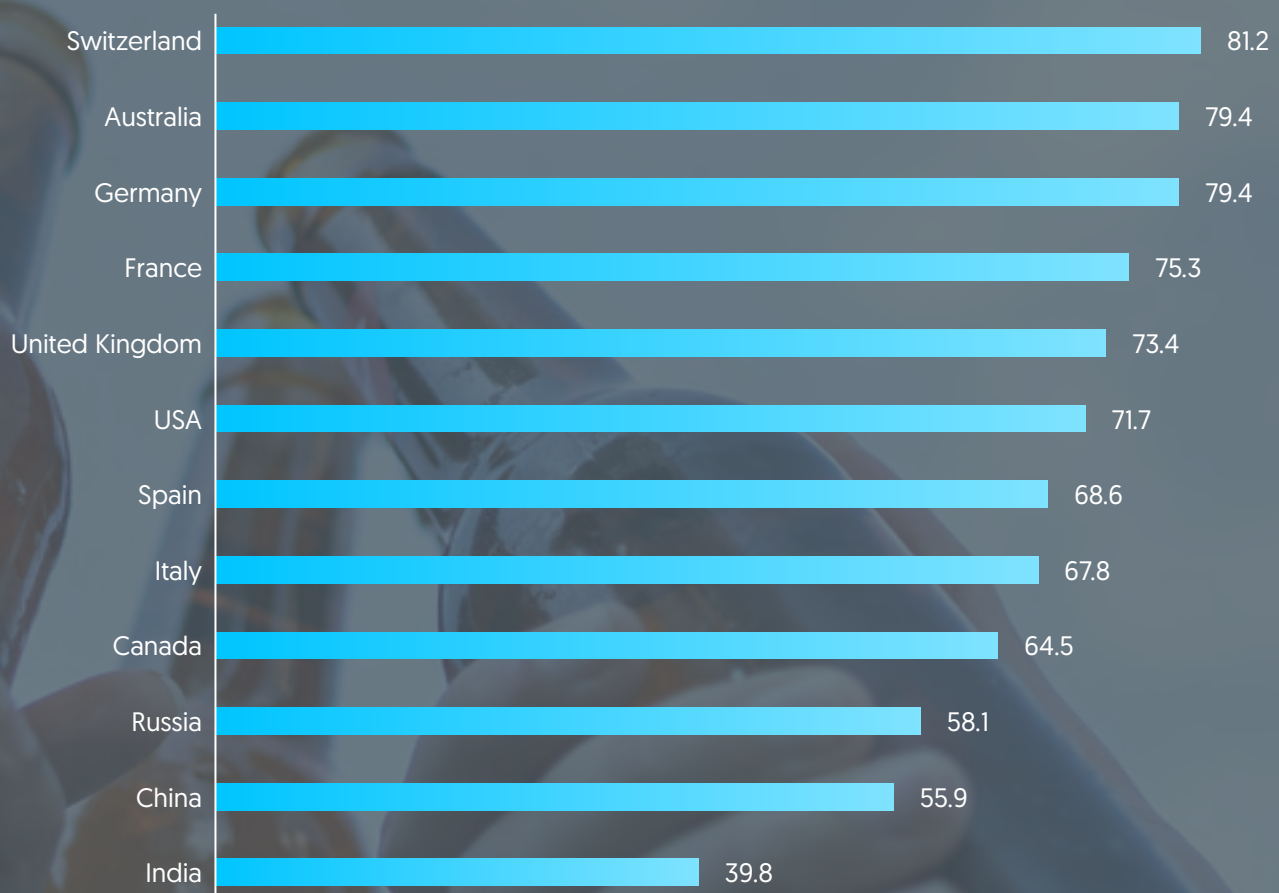


Source: Euromonitor International

**ALCOHOL
CONSUMPTION
HABITS VARY
WIDELY ACCORDING
TO LOCAL CUSTOM**



Alcohol drinkers as a share of the adult population in 2016 (%)



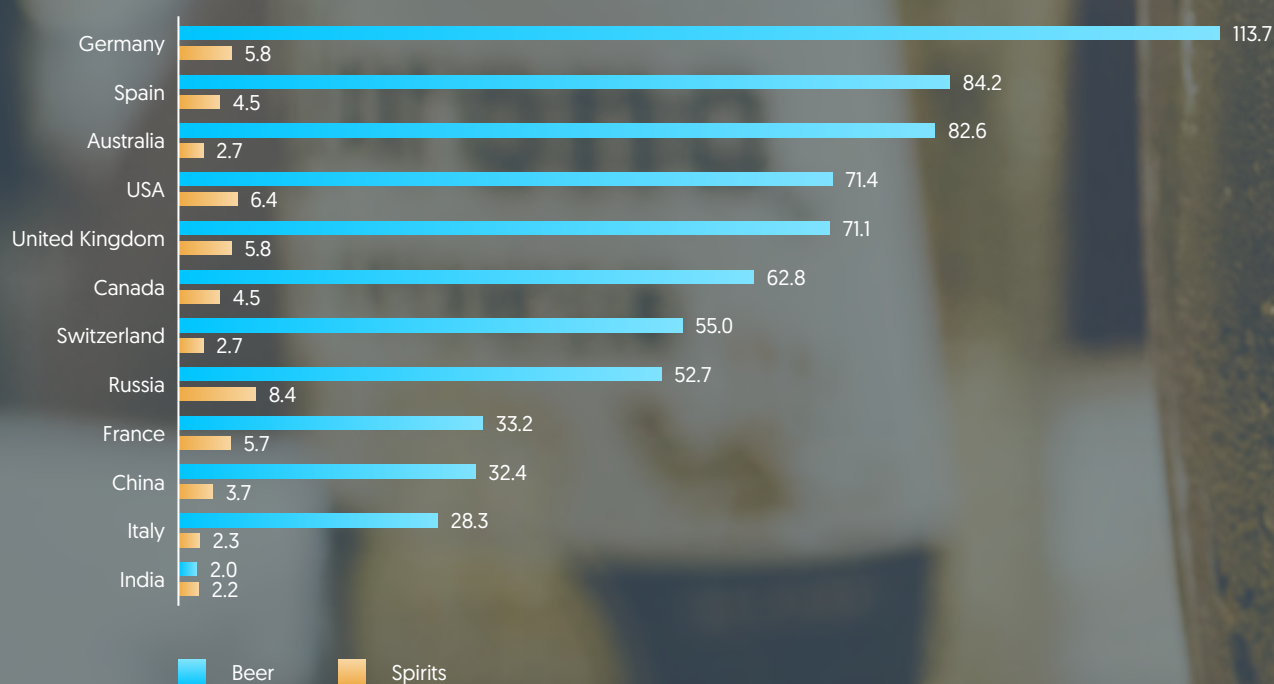
Source: World Health Organisation

The act of drinking alcohol is deeply embedded in the culture of each country, with the quantity, frequency and purpose of consumption varying widely. In Western Europe and the USA, some 70% to 80% of adults are alcohol drinkers, while in India 60% of adults never drink alcohol at all.

Among our twelve markets, beer consumption is a lot more variable than spirits consumption, ranging from just two litres per person per year in India to 114 litres in Germany, while spirits consumption ranges from 2.2 litres in India to 6.4 litres in the USA. Across all these markets, the average consumption is 29 litres of beer and 3.7 litres of spirits.

“The act of drinking alcohol is deeply embedded in the culture of each country, with the quantity, frequency and purpose of consumption varying widely.”

Annual consumption per capita in 2019 (litres)

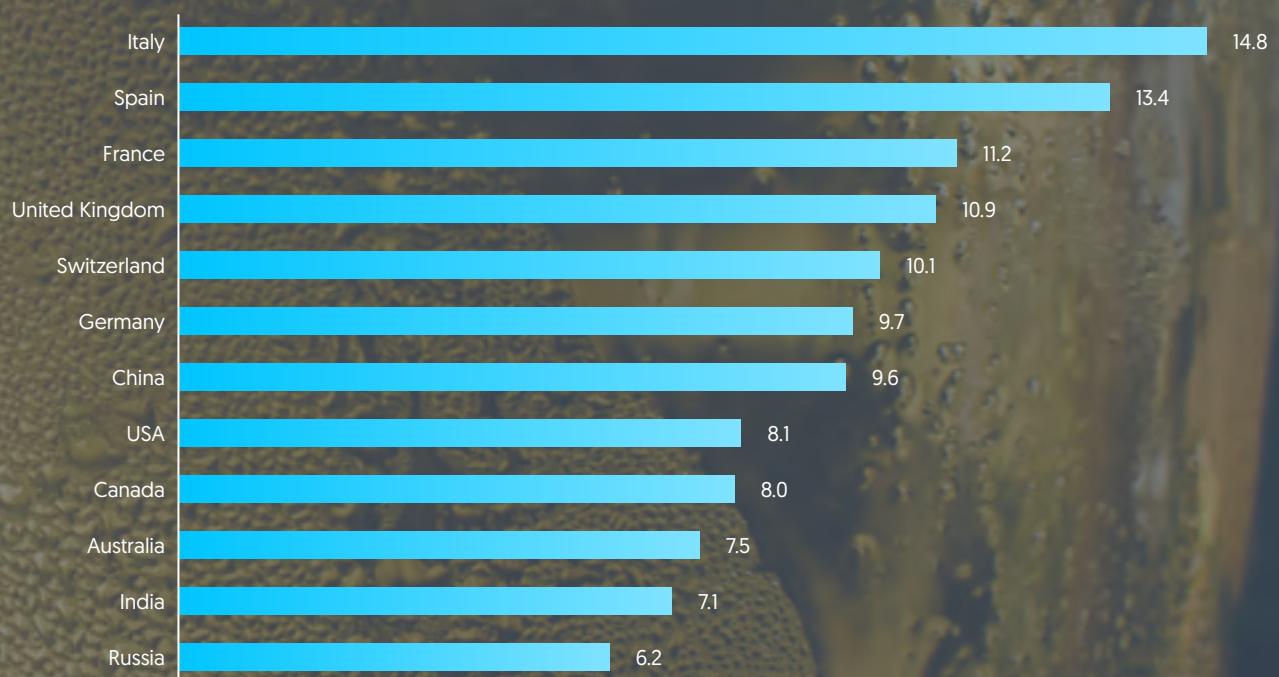


Source: Euromonitor, IMF

All markets are expected to enjoy a strong recovery in alcohol sales from the 2019 nadir, with average annual growth ranging from 6% a year in Russia to 15% in India. The strongest recovery will

take place in Western European markets where public drinking in bars, pubs or restaurants is a central feature of social life, and which have therefore been particularly disrupted by social distancing.

Average annual growth in alcohol sales 2020-2023 (%)



Source: Euromonitor International

JUST 15 COMPANIES SELL HALF THE WORLD'S ALCOHOL

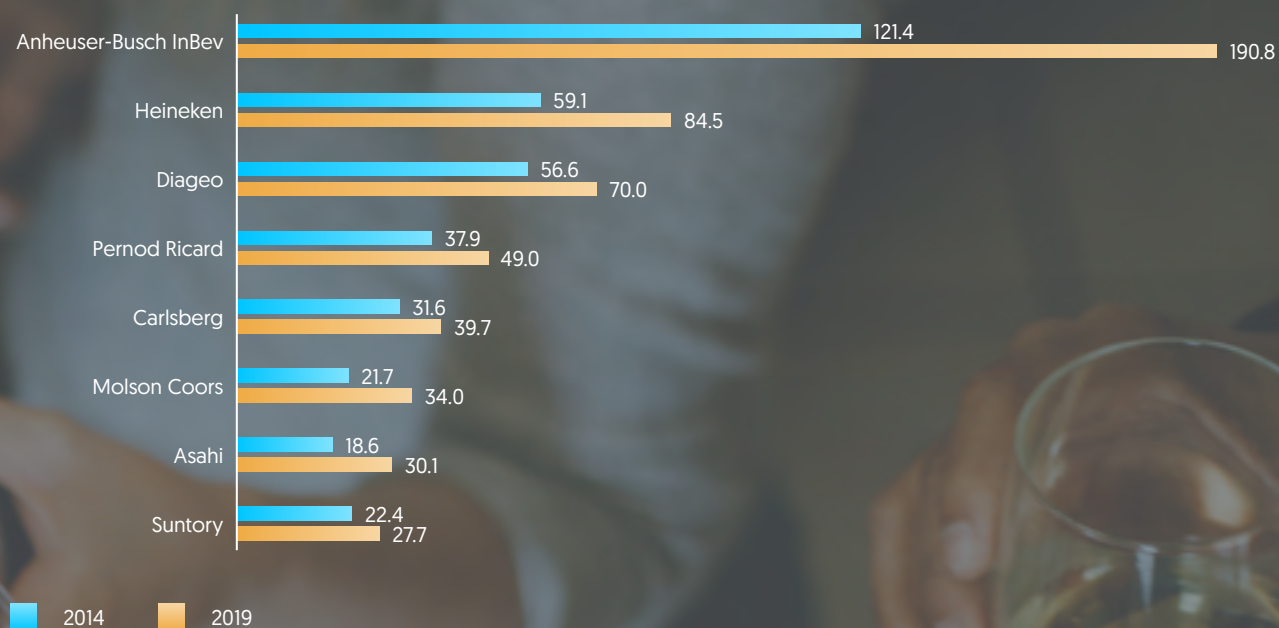
The ownership of alcohol brands is highly concentrated among international consortiums that have built up their market position through acquisitions. Just 15 companies account for half the entire value of global alcohol sales, and one – Anheuser-Busch InBev – accounts for 15%. Anheuser-Busch InBev was formed through a series of mergers and acquisitions, the latest of which was the 2016 purchase of SABMiller, which had been the fourth-largest alcohol producer at the time, with US\$50bn in annual sales. SABMiller had to unload various assets to satisfy competition authorities before the acquisition was permitted to proceed, but the deal boosted Anheuser-Busch InBev's sales by at least US\$30bn, increased its market share from 12% to 15%, and helped it increase the retail value of its alcohol sales by more than any other company between 2014 and 2019.

Most of the other companies with the largest dollar increase in sales were also international conglomerates. But one company stands out among the top eight: Kweichow Moutai, a Chinese

“Introducing baijiu brands to new markets could be a fertile source of growth for enterprising alcohol companies over the next few years.”

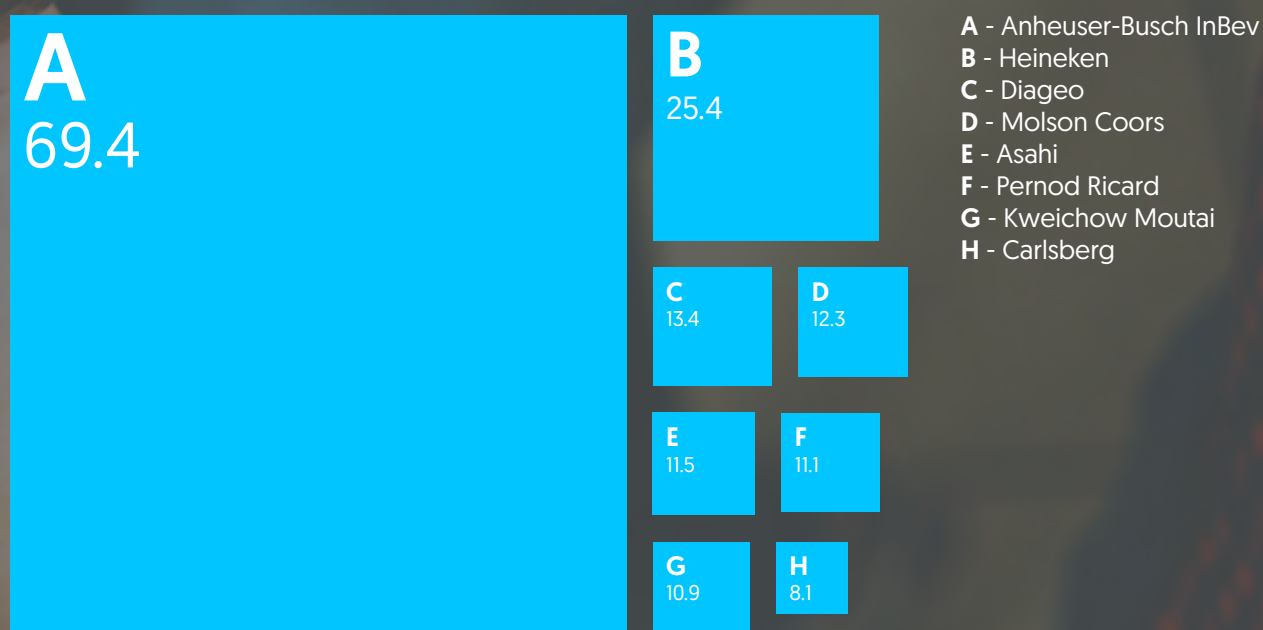
company specialising in baijiu, a Chinese spirit normally made from sorghum. Kweichow Moutai trebled retail sales between 2014 and 2019 by consolidating its grip on the Chinese market, and is now the tenth-largest drinks producer in the world, up from 24th in 2014. Baijiu is said to be the most consumed spirit in the world thanks to its huge popularity in China, but it is barely known elsewhere. Introducing baijiu brands to new markets could be a fertile source of growth for enterprising alcohol companies over the next few years.

Retail value of alcohol sales by the top eight companies [US\$ billion] – global revenues



Source: Euromonitor International

Growth in retail value of alcohol sales 2014-2019 [US\$ millions]



Source: Euromonitor International

ALCOHOL: BEER + SPIRITS CONSUMER INSIGHTS



**A nuanced category
with different social and
cultural influences**



**In-home hospitality
encourages experimentation
and trading up**



Increased awareness and adoption of online purchasing



Expectation on brands to support healthier lifestyles and behave more sustainably

NOT ALL COUNTRIES, AND NOT ALL CONSUMERS ARE THE SAME

The COVID-19 pandemic has forced significant and rapid changes to many categories over the last 18 months. In alcoholic drinks, there was a swift shift to off-trade sales with the closure of hospitality venues, a rise in online purchasing, and further adoption of up-trading and more mindful consumption. All of which were underpinned by the broader consumer expectation for brands to behave more sustainably.

But when looking at the total effect of the pandemic on this category, it is important to first understand how varied it is in different markets and among different consumers - whether you drink alcohol at all, where you drink, what you drink etc. are all determined by each country's unique drinking culture. In some countries alcohol is seen as a key part of socialising, in others it's usually accompanied by a food or dining experience, and in others it's banned completely; the legal age to drink, government advice on safe drinking, rules on drinking in public, and licensing laws all differ.

In Western Europe, North America and Australia between 65% and 81% of the adult population have consumed alcohol in the past 12 months, according to the latest World Health Organisation data. This contrasts greatly to India, where 61% haven't drunk alcohol at all. That percentage is also driven more by certain demographic groups. According to Global Web Index, age, affluence and location all contribute, with over 35s, high earners, and urban dwellers all more likely to be regular drinkers. Whether those consumers are purchasing on-trade (i.e. in pubs, bars, restaurants etc.) or off-trade (i.e. buying via retailers or supermarkets) also varies - in the 12 markets that this report covers, the percentage of on-trade sales in 2019 ranged from just 10% in Russia to 57% in Spain, according to Euromonitor.

Unsurprisingly then, the impact of the COVID-19 pandemic affected different markets and different groups in different ways.



IN-HOME CONSUMPTION RISES WITH THE CLOSURE OF HOSPITALITY VENUES

One consistent measure taken by governments in response to the growing numbers of cases of COVID-19 in the first part of 2020, was to enforce self-isolation and lockdowns. Whilst the length and number of these has varied by market, in nearly all markets hospitality venues have been closed for significant periods. As a result, off-trade sales across all markets increased in 2020 vs. 2019 according to Euromonitor, but especially so in those where on-trade drinking was historically greater, such as in Spain (+12%) and the UK (+14%).

Off-trade Volume % breakdown | 2020 vs 2019



Source: Euromonitor



With limited options available to consumers, hospitality therefore had to move in-home. For many, this provided an opportunity to experiment with new brands, new types of alcohol and new types of drinks. According to the Global Web Index Zeitgeist in January 2021, 19% of consumers were drinking more than usual, 17% had tried new brands and 16% had tried new types of alcohol. This trend seems to be more prevalent among the same demographic groups that were drinking more regularly prior to the pandemic, with the behaviours indexing more highly among the affluent, urban and millennial populations. With more time available, consumers were able to research, review and try brands in a way they had not done before.

Prior to the pandemic, both beer and spirits had been experiencing a trend toward premiumisation, that is, a shift toward “dinking less, but drinking better”. Many consumers, particularly those less financially impacted by the pandemic, continued to trade up during lockdown. The same money that might have been spent in pubs and restaurants was spent on investing in better quality products and curating a better in-home experience. Being at home encouraged more experimentation, not only with types of alcohol and brands, but with flavours and mixers too. Brands pivoted, providing masterclasses to inspire or further education on their products. Knowledge that would previously have gone straight to bartenders became content available to consumers directly – from beer sommelier sessions with beer brand Brewdog to Rémy Martin live-streaming a Cognac tasting with its cellar master, to Jack Daniels promoting its “Around the Barrel” podcast. Mixologist videos on TikTok surged in popularity, as consumers looked to create new drinks; searches worldwide for “cocktails” on Google rose, and 40% of consumers in the US were looking for cocktail kits at the end of 2020 according to Nielsen CGA.



Index of search volume for “cocktails” | Worldwide | Alcoholic beverages | 2020



Source: Google Trends

For those that didn't wish to create the drinks themselves, pre-mixed cocktails and ready-to-drink (RTD) options were available, and saw a 131% rise in the US according to Nielsen CGA. Similarly, there has been increasing interest in hard seltzers - a low calorie, low carb, sometimes-flavoured, alcoholic fizzy water. Rabobank estimate that the target market size of hard seltzers in the US is 172 million in 2021, and it's a category growing in popularity in the UK and Western Europe too.

Ready-to-drink products provide consumers with a convenient option – both in terms of the drink being ready-made but also in portability. With venues closed and mixing of households

restricted indoors, socialising has largely moved outdoors in to gardens, parks and rooftops and RTDs are particularly suitable for such occasions. Even with hospitality venues opening up or starting to open up, it is likely that both drinking outdoors and RTDs will continue to grow in popularity at least in the immediate future; not only because of lingering concern over the virus, but also because the current on-trade experience is markedly changed from before. There are still many restrictions in place on space, on the number of people, on the ordering experience (i.e. now largely done via apps or digital menus vs. in person), and many will choose to entertain at home until some of these safeguards are eased.

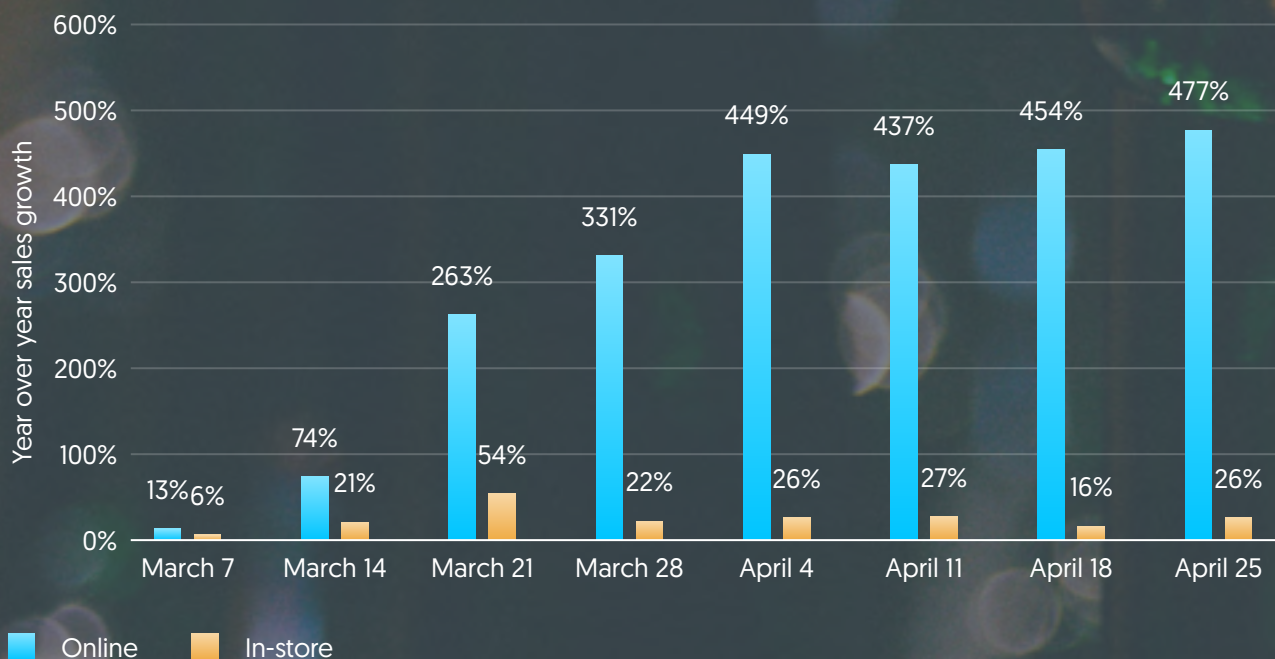
RAPID SHIFT TO ONLINE PURCHASING

Consumers have also been experimenting with new ways of shopping. According to McKinsey & Company's COVID-19 Consumer Pulse Surveys, 50%+ of consumers in the markets covered in this report have tried new shopping behaviours as a result of the pandemic. The biggest influence on this undoubtedly the rise of ecommerce.

Purchasing alcohol online is already fairly well established in China, but in other markets, particularly across Western Europe and North America, the uptake has been hugely accelerated by the

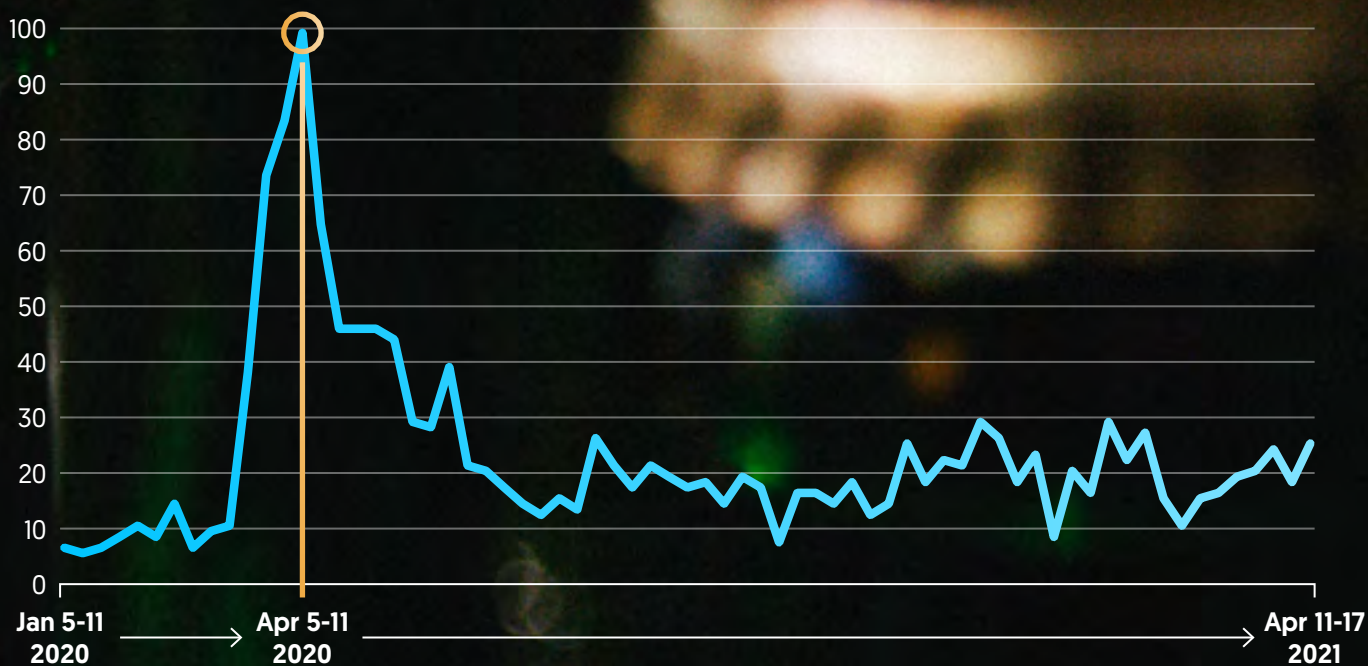
pandemic. Global Web Index Zeitgeist for January 2021 suggests that 10% of UK & US consumers have purchased more alcohol for home delivery during the Coronavirus crisis, and according to a survey conducted by IWSR, who track the global alcohol beverage industry, 44% of Americans who shop online for alcohol began doing so for the first time in 2020. Nielsen data shows online alcohol sales in the US rose dramatically from mid-March onwards, and worldwide Google trends search data shows the sharp increase in consumers looking for "alcohol delivery" starting at the same time.

Alcoholic beverages sales growth from COVID-19 in the U.S. in 2020, by channel



Source: Nielsen

Index of search volume for “alcohol delivery” | Worldwide | Alcoholic Beverages



Source: Google Trends

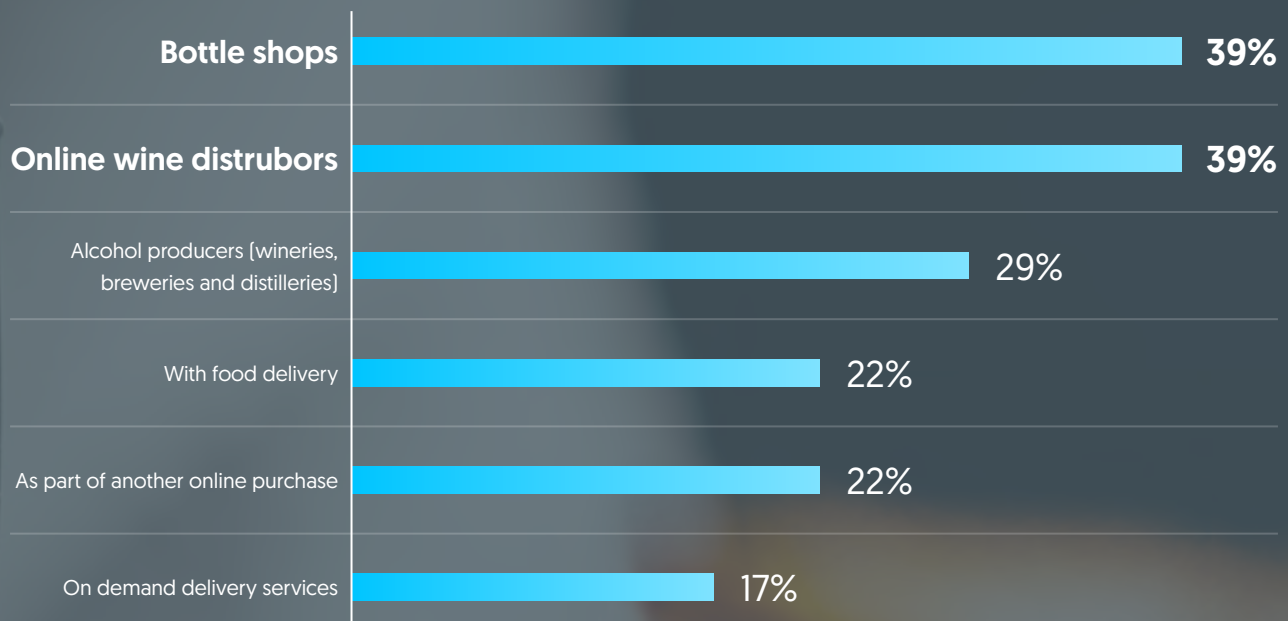
Whilst in other categories ecommerce is a more established channel, for alcohol this sudden change was more dramatic and opened up a variety of different options for consumers. For example in Australia, YouGov data shows that around two fifths of alcohol consumers have ordered alcohol direct from bottle shops or wine distributors in 2020, more than a quarter directly from alcohol producers and 17% from on demand delivery services.

Similarly, data from Socialtools - Publicis Media's tool tracking the daily performance of social pages, posted content, and user comments across social platforms - shows that posts containing terms associated with delivery, ordering online, and online shopping increased substantially on alcoholic beverage pages on Facebook and Instagram, as brands and retailers responded to consumer demand.

Whilst the majority of online sales will remain as part of the regular food or grocery shop, the lack of online infrastructure from traditional retailers and brands at the start of the pandemic provided an opportunity for "on demand" services to capitalise on. Takeaway and food delivery companies, such as Deliveroo, pivoted and expanded their repertoire of retailers beyond restaurants and cafes to include more supermarkets and convenience stores. Similarly, a number of dedicated quick-commerce and e-tailers came in to the market. One of the biggest winners was Drizly, an alcohol e-commerce platform in the US that saw sales increase 350% in 2020. Whilst global ecommerce for the category has seen big increases over the past year, uptake in the US has been particularly impressive. Drizly themselves predict that 20% of off-premise beverage sales will occur online by 2025, and IWSR estimate that the US will soon overtake China to become the largest alcohol ecommerce market in the world.



Share of alcohol consumers using alcohol delivery services in Australia 2020 by type



Source: FARE; YouGov

Alcoholic Drinks | Search: "alcohol delivery", "online order", "delivery", "online shop"



Source: Publicis Media Socialtools

**BROADER TRENDS
IN MINDFUL
CONSUMPTION
AND CONSCIOUS
CONSUMERISM
CONTINUE APACE**

In addition to restrictions on movement and lifestyles a result of COVID-19, the pandemic has also amplified the existing consumer trend toward living a healthier lifestyle. Unsurprisingly health has become more important to consumers in light of the global crises, and there has been a renewed focus for many on both physical and mental wellness. With regard to diet, Zenith Media's own survey of shoppers in the UK, France, Germany and Italy in November 2020 showed that 31% of consumers had made changes to what they consumed in the past 12 months; 57% of whom did so to be healthier. In much the same way as consumers have been reducing meat or adopting flexitarian diets with regard to food, so too have consumers been adopting a more flexible and more mindful approach to drinking alcohol. According to the Bacardi Global Brand Ambassador Survey 2020, 22% of consumers globally are drinking less, while 55% of mindful drinkers are consuming low-ABV drinks. Moderation in consumption appears to resonate more keenly with younger consumers. Global Web Index data shows that 63% of 18-34 year-olds in Europe, North America and Asia consider themselves either non-drinkers or occasional drinkers. The popularity of hard seltzers, which are low calorie, low carb and low alcohol is consistent with this desire to be more mindful.

As we have seen in the beauty and food categories before, there is also a growing, broader expectation for brands to be more socially responsible. Lockdowns, reduced transport and a change of consumption habits over the past 18 months have starkly highlighted the damaging effect humans have on the environment, and more than ever consumers are translating good intentions in to action. A global survey by Accenture in 2020 reported that consumers have been making more environmentally friendly, sustainable or ethical purchases since the start of the pandemic, and the majority are likely to continue doing so in the future. Consumers are increasingly inclined to want brands to take responsibility – in both the packaging and format their products take, but also in their brewing and distillation processes too. Many brands were already taking steps in this direction by experimenting with different types of plastic-free bottles or containers, by repurposing waste ingredients or sourcing more locally etc. Moving forward it will be an expectation that brands behave more sustainably, and are transparent in their practices.



WHAT DOES THIS MEAN?

The altered hospitality experience (i.e. use of menus, apps and QR codes to order) and the rise of ecommerce have levelled the playing field between established brands and new entrants, whilst the increase in at-home drinking occasions has encouraged consumers to experiment across types and across brands. Whilst markets slowly move closer to a pre-COVID normality, brands will need to balance the use of digital - to provide increasingly knowledgeable consumers with the information and inspiration through digital content and virtual experiences - whilst also re-thinking a potentially permanently changed on-trade environment.

Long-established business models have been permanently changed by the increased awareness and adoption of online purchasing. Many brands and retailers were quick to establish and invest in the ecommerce infrastructure

required to pivot to online sales at the start of the pandemic, and should capitalise on this further, using the increased information on their customers to tailor their communications and products.

More broadly, conscious consumerism, mindful consumption and environmental accountability will continue to be important to consumers, and will shape their purchase decisions. Brands will need to consider and be transparent about what is in their products, how their products are made and packaged, as well as be authentic in how they communicate this to their customers.

Recovery will most likely be uneven across different products, different consumer, and different markets. A nuanced approach, and the ability to quickly adapt to changing restrictions and behaviour will be critical.

